

CALIFORNIA TIMBER YIELD TAX

Timber Yield Tax Timberland Production Zones



**State Board
of Equalization**

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What is the timber yield tax?

The timber yield tax is a property tax paid by timber owners when they harvest trees, or timber. The tax is paid on a quarterly basis to our agency, the Board of Equalization (Board), which returns it to the counties where the timber was harvested.



Why is timber taxed when it is harvested?

Although standing timber may add value to land, it is exempt from property taxation until harvest. Before 1976, the value of timber was added to the value of land and taxed, giving property owners an incentive to harvest trees to reduce their property taxes. State legislation, enacted after voters passed Proposition 8, established the present system for assessing property tax when trees are harvested.



How is *timber* defined? What activities are taxable?

For purposes of the tax, *timber* is considered to be trees *of any species* — including hardwoods — harvested for forest products, whether grown naturally or planted, standing or down. Taxable activities include harvesting timber for lumber or lumber products, firewood, Christmas trees, poles and pilings, biomass, and so forth. Timber harvested from both private and public lands (except tribal lands) is subject to the tax. Timber harvests with an

immediate harvest value of \$3,000 or less within a quarter are tax exempt.



Who is considered a *timber owner*?

You are considered a *timber owner* if

- You own timber immediately prior to felling or harvesting; or
- You are the first person or agency not exempt from property tax to acquire legal or beneficial rights to timber after felling, when the trees were owned by a state, federal, or other tax-exempt agency, such as the U.S. Forest Service.

Please note: If you own land from which timber is harvested, you are considered a timber owner if your timber sale contract provides that you will be paid according to the actual timber volume scaled (number of board feet calculated), *and* your harvest contract does not contain a clause specifically transferring ownership of the timber prior to felling. Generally, a harvest contract for felling and marketing timber does not transfer ownership of the timber.

A timber owner can be an individual, government agency, or legal entity such as a partnership, limited liability company, or corporation.



How much tax will I owe?

The timber yield tax rate is currently 2.9 percent. The amount of tax is calculated according to the volume of timber you harvest, the established value for the

species harvested, and the tax rate. Board appraisers determine the value of standing trees in your area twice a year. Since the values are based on analysis of market transactions, the established value may differ from the price you are paid for your trees.

Please note: Because the tax is based on the volume of timber harvested, it is important that you maintain records that will enable you to determine that volume. You will need mill scale tickets, Forest Service billing statements, dimension records of split products, or other documents listing volume to help you complete your timber tax return.



How do I pay the tax?

Registration. After you file timber harvest forms with the California Department of Forestry, or when we otherwise learn of your timber harvest, you will automatically be registered as a timber owner. Shortly thereafter, we will notify you of your registration, assign you an account number, and send you our detailed *Guide to the California Timber Yield Tax* (publication 87). Your registration will remain in effect until you notify us that you will no longer harvest timber.

If we determine during the registration process that the value of your timber harvest will be no more than \$3,000 in a calendar quarter, we will not register you or send you tax forms. However, if we later determine that your timber

harvest did not qualify for this low-value exemption, we will bill you for the tax due plus interest.

Please note: If you intend to harvest trees valued at more than \$3,000 in the near future and you have not received registration notification, please contact us for assistance.

Filing returns. As a timber owner, you will be required to file tax returns and pay tax on a quarterly basis. You must file a return for every quarter during which you are registered as a timber owner, even if you do not harvest any timber or owe any tax. If you do not file or pay on time, you may be charged penalty and interest. Other penalties and interest may apply if you neglect or disregard the provisions of the Timber Yield Tax Law.



Can my land be zoned for timber production?

A county board of supervisors or a city council can zone parcels capable of economic timber production for that restricted use. The zoning designation is known as a Timberland Production Zone (TPZ). Land zoned TPZ can be used only for growing and harvesting timber, and for certain other compatible uses defined by law. Special restrictions apply to rezoning of TPZ lands.

TPZ land is valued according to its ability to grow trees. As a result, its assessed value may be lower than that of land zoned for other uses.

You may request TPZ zoning from your local land use agency or planning department. If you have further questions regarding requirements for TPZ designation or valuation of TPZ land, please contact your local land use agency, county tax assessor's office, or our Timber Tax Section.



For more information

For answers to general timber tax questions, please call our toll-free Information Center number Monday through Friday between 8:00 A.M. and 5:00 P.M. and choose the timber tax option. For answers to questions about your account, please call our Timber Tax Section.

You may also wish to obtain our publication 87, *Guide to the California Timber Yield Tax*, or a copy of the California Timber Yield Tax Law. You may order publications from the Information Center anytime day or night, seven days a week.

Information Center

Call 1-800-400-7115

TDD for the hearing-impaired

From TDD phones: 1-800-735-2929

From voice phones: 1-800-735-2922

Timber Tax Section

Timber Tax Section, MIC: 60

State Board of Equalization

450 N Street

P.O. Box 942879

Sacramento, CA 94279-0060

phone: 916-445-6964

fax: 916-324-2757

Internet: www.boe.ca.gov

